

DATE: January 28, 2022
TO: Joe Dills, Angelo Planning Group
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SUBJECT: Bend Stevens Road Tract Concept Plan: Employment Land Assumptions

Summary of Key Findings

Below is a high-level summary of the key findings of potential development of employment lands within the Stevens Road Tract area.

- Development of **industrial uses** are likely to be predominantly light manufacturing and other light industrial uses, as well as some mixed employment with some office users in flex spaces. These uses may include small-scale manufacturing or distribution, showrooms, and other light industrial users that may also need office space (i.e., flex space). The sizes of sites for industrial land in the Tract should allow small sites (2 to 5 acres) to medium-sized sites (5 to 25 acres) based on statewide trends in demand for light industrial land, recent market trends for industrial land in Bend, and opportunities for larger lot industrial development in nearby areas (e.g., Stevens Ranch).

The Stevens Road Tract may accommodate 38 acres of industrial land (the identified deficit of industrial land for the entirety of Bend) over long-term growth of southeast Bend but a smaller amount of industrial land (10-20 acres) may be more reasonable given the limitations and opportunities described in this memorandum. If industrial development grows as fast as is forecast in the adopted EOA, then Bend may need more industrial land in the southeast part of the City, such as the City's estimated 38-acre deficit of land. Bend may have less demand for industrial land if industrial employment grows slower than in the adopted EOA or existing industrial land use intensifies or redevelopment occurs. Given these uncertainties and the limitations for industrial development described in this memorandum, it may be more reasonable to assume a smaller amount of industrial development (10-20 acres) for the Stevens Road Tract.

Within the Tract, industrial land should be located near other existing or planned industrial uses outside of the area, such as adjacent to the planned industrial land in the Stevens Ranch Master Plan, industrial-compatible uses near the site (e.g., County Road Department facilities and undeveloped County land north of Knott Landfill), and avoid conflicts with residential uses. Other considerations for where industrial land should be located within the tract include the presence of facilities outside of the study area that are compatible with industrial uses, such as the County's road facilities and undeveloped County land north of the Knott Landfill. In addition, industrial land in the Tract should have direct access to major roads planned within the Tract.

- Development of **commercial uses** are likely to be predominantly locally-serving commercial uses, such as retail, personal services, small offices that serve local residents (such as doctor's offices) restaurants or a coffee shop, wellness/lifestyle businesses, small

retail stores, and other local services. Commercial land for retail, services, or office uses should be located near planned higher-density housing such as multifamily housing and affordable housing. The commercial area could be developed as a neighborhood center or main street. Office uses may be mixed with retail in smaller buildings or grouped in one building. The commercial businesses should also be visible along a road or intersection that serves the Tract and to allow for easy access for those who do not live in the plan area but may live nearby.

We estimate that the Stevens Road Tract Concept Plan can accommodate 2.5 to 5 acres of locally serving commercial uses in a main street or neighborhood center format. These uses may not have an anchor store but if there is an anchor store, the commercial area may be the larger size.

Introduction

The City of Bend is developing a concept plan for the Stevens Road Tract based on requirements stated in 2021 House Bill 3318 (HB 3318). Specific to planning for employment land on the Stevens Road Tract, Section 9(e) of HB 3318 states the plan must include “areas designated for adequate employment lands that account for the City’s most recent EOA, including consideration of subsequent economic development and trends.” Furthermore, Section 9(g) of HB 3318 requires analysis of “...sufficient areas designated for mixed-use development to support and integrate viable commercial and residential uses...” This memorandum considers need for employment land on the Stevens Road Tract within the context of these requirements.

Current City policy and previous planning processes show that Bend has an unmet need for 38 acres of Light Industrial land and 28.5 acres¹ of commercial land, resulting from the Southeast Area Plan process and the adopted Economic Opportunities Analysis (EOA), respectively. This memorandum considers the analysis and assumptions about future need for employment land, considering the adopted EOA and preliminary analysis for a future update to Bend’s EOA that is being developed as part of the Bend Wastewater Collection System Master Plan (CSMP) project. The memorandum also considers the employment land development plans in the SEAP and the Stevens Ranch Master Plan areas, as well as the broader context of commercial and mixed-use development and planned development in southeast Bend. Information about market demand for employment land is presented in the *Stevens Road Concept Plan Market Assessment* document by ECONorthwest for this project.

At the end of this memorandum, we present recommendations about alternatives for employment land in the study area, presenting a range of potential land needs (e.g., need for light industrial or need for different types of commercial uses). These recommendations are intended to inform scenarios for land use under development by the consulting team for the Stevens Road Tract Concept Plan.

¹ Plan Policy 11-104. Unmet need increased with the approval of the modification to the Easton Master Plan in 2021.

Employment Land Need

Need for employment land in Bend is defined in existing planning documents and city policy, such as the City's adopted EOA. Ongoing planning processes, including the Sewer Collection System Master Plan (CSMP) project (which includes a preliminary EOA), are helping to refine and update land needs based on updated employment forecasts. This section of the memorandum considers Bend's land need within the context of these planning documents and processes.²

In this memorandum, land need is summarized by the following industrial and commercial land use types:

- **Industrial** uses include manufacturing, wholesale trade, utilities, construction, warehousing, and distribution. Light industrial uses on industrial land may also include mixed employment uses, including certain types of office commercial or retail uses generally as part of larger industrial businesses.
- **Commercial** land includes both retail commercial and office commercial uses, such as food services and accommodations; professional, scientific, and technical services; healthcare and social assistance; and other services.

Industrial Land in the Stevens Road Tract Concept Plan

Development of industrial land in the Stevens Road Tract will require consideration of several factors including overall industrial land need in Bend, adopted economic development policies, development in adjacent areas in southeast Bend, and market demands.

Citywide Industrial Land Need

Bend allows industrial employment in the following zones: General Industrial and Light Industrial. Some light industrial uses are also allowed in Bend's commercial and mixed employment zones. For the Stevens Road Tract Concept Plan, the types of industrial employment under consideration are those located in light industrial zones or mixed employment zones, due to the area's location, access to freight transportation, and other factors described later in this section.

In 2008, existing industrial employment accounted for about 18% of the City's total employment. By 2019, Bend had added 890 industrial jobs, now accounting for 16% of all employment (Exhibit 1). Between 2008 and 2019, employment in food and beverage manufacturing and truck transportation grew more than other types of industrial employment.

² The Market Assessment reports developed as part of the concept planning for the Stevens Road Tract offers another lens for viewing Bend's employment land need. We consider the findings in the market assessment in the last section of this memorandum.

Exhibit 1. Change in Covered Employment, Bend UGB, 2008-2019

Source: Quarterly Census of Employment and Wages

Sector	Establishments		Employees		Change in Employment		
	2008	2019	2008	2019	#	%	AAGR
Agriculture and Mining	13	27	124	164	40	32%	2.6%
Utilities	8	10	161	138	(23)	-14%	-1.4%
Construction	643	676	3,130	3,799	669	21%	1.8%
Manufacturing	187	238	3,061	3,188	127	4%	0.4%
Wholesale Trade	213	299	1,888	1,574	(314)	-17%	-1.6%
Retail Trade	549	620	7,084	8,328	1,244	18%	1.5%
Transportation and Warehousing	55	73	583	974	391	67%	4.8%
Information	108	237	1,541	1,627	86	6%	0.5%
Finance and Insurance	306	313	1,867	1,432	(435)	-23%	-2.4%
Real Estate and Rental and Leasing	262	340	662	818	156	24%	1.9%
Prof., Sci., and Tech. Services	487	911	2,022	3,548	1,526	75%	5.2%
Mgmt of Companies and Enterprises	25	51	187	900	713	381%	15.4%
Admin. / Support and Waste Mgmt / Remediation Serv.	200	317	2,701	3,606	905	34%	2.7%
Private Education	51	72	433	564	131	30%	2.4%
Health Care and Social Assistance	395	643	6,701	10,626	3,925	59%	4.3%
Arts, Entertainment, and Recreation	62	97	737	998	261	35%	2.8%
Accommodation and Food Services	305	414	4,533	7,059	2,526	56%	4.1%
Other Services (except Public Administration)	369	723	1,523	2,119	596	39%	3.0%
Government	100	115	4,862	5,968	1,106	23%	1.9%
Total	4,338	6,176	43,800	57,430	13,630	31%	2.5%

Bend's adopted EOA projects a need for 47 industrial sites smaller than five acres and 2 industrial sites between 5 and 50 acres. Most of this employment is accommodated within the existing UGB, with the exception of the 38 acres of industrial land identified in HB 3318, which is part of the industrial land need identified in Bend's adopted EOA and not met elsewhere within Bend's UGB. Areas with substantial vacant industrial land in Bend, such as Juniper Ridge have helped to accommodate the need for industrial land identified in the adopted EOA.

The adopted EOA projects employment growth over the 2008-2028 period will happen at an average annual growth rate of 2.4%. The draft EOA being developed as part of the CSMP project suggests that industrial employment may grow at a slower rate than the adopted EOA, at an average annual growth rate of around 1.65%.³ Based on the assumptions in the draft EOA, Bend's industrial employment would grow by 8,489 jobs over 2021-2043. This employment growth would result in demand for 827 gross acres of industrial land. Based on this land need and the preliminary buildable lands inventory for the EOA, Bend may have a small deficit of land for industrial uses in the future. The preliminary EOA has not considered opportunities for increased land use efficiency, such as redevelopment of underutilized industrial lands.

Based on the adopted EOA and the preliminary conclusions of the draft EOA updates, Bend may have demand for additional industrial land, part of which could be met within the Stevens Road Tract Concept Plan area. However, analysis from the *Market Assessment* report suggests that Bend has seen less development of industrial land than the adopted EOA projected. Between 2008 and 2019 industrial development delivered about 75 acres of flex and industrial buildings. This estimate is considerably slower than the forecast for industrial land needs in the

³ This is a preliminary estimate of future employment growth. The preliminary EOA has considered a range of growth rates. When Bend develops a full EOA, the City will also adopt a new forecast growth rate.

EOA. In addition, it shows slower land consumption than new construction for flex and industrial space prior to 2008.

Many factors could account for the slower than expected development of industrial land. For example, the Great Recession slowed all types of development considerably and left many empty or partially used buildings. In addition, Bend added a substantial amount of industrial land in its last UGB expansion in 2016. Before development can occur on that land, infrastructure such as roads, water, and wastewater must be developed, delaying development until the infrastructure is available. Information in the *Market Assessment* report shows low vacancy rates for industrial land use types, which suggests that the market is ready for development of new industrial and flex-built space and a return to a faster pace of industrial land development.

Industrial Land Demand in Stevens Road Tract Concept Plan

Industrial land demand in the subject parcel will depend on a range of factors, primarily:

- **Location of the Stevens Road Tract.** The Stevens Road Tract is located at the southeast edge of Bend, relatively far from other large industrial areas, except for those in adjacent areas (as described in this section). That makes the Stevens Road Tract less desirable for large development of industrial uses, such as a regional industrial center. This suggests that the Stevens Road Tract would be an appropriate location for a smaller amount of industrial land, with expected uses similar to nearby planned industrial areas.
- **Placement of industrial within the Tract.** The location of industrial land within the Stevens Road Tract should be located near other existing or planned industrial uses outside of the area. The most appropriate placement of new industrial land within the Tract is adjacent to the land at the Stevens Ranch Master Plan, at the southwest corner of the Tract, which is also near the Deschutes County Knott Landfill south of the Stevens Road Tract. This allows for continuity of uses and creates a buffer between heavier industrial uses and the landfill to the south.
- **Access to state highways and major roads.** The Stevens Road Tract is about 2 miles from Highway 20 and 5 miles from Highway 97. There is currently no direct road connecting the Tract to either of these highways, but the Bend and Deschutes County Transportation System Plans show the following connections: Ferguson Road extension and Stevens Road realignment. Even with future connections to these highways, accessing the Stevens Road Tract from these highways may require travel along city streets and near residential neighborhoods. Industrial businesses try to avoid traveling on smaller city streets or through residential areas if they use trucks to ship goods or products. This existing lack of connections to state highways and major roadways will limit attraction of traditional industrial users to the Stevens Road Tract if they require good freight access, such as medium or large-scale industrial or warehousing/distribution uses. This suggests that any industrial uses on the Stevens Road Tract should be light manufacturing or other light industrial uses that do not have

significant freight needs. Industrial uses may include some compatible office uses or other uses that locate in light industrial areas.

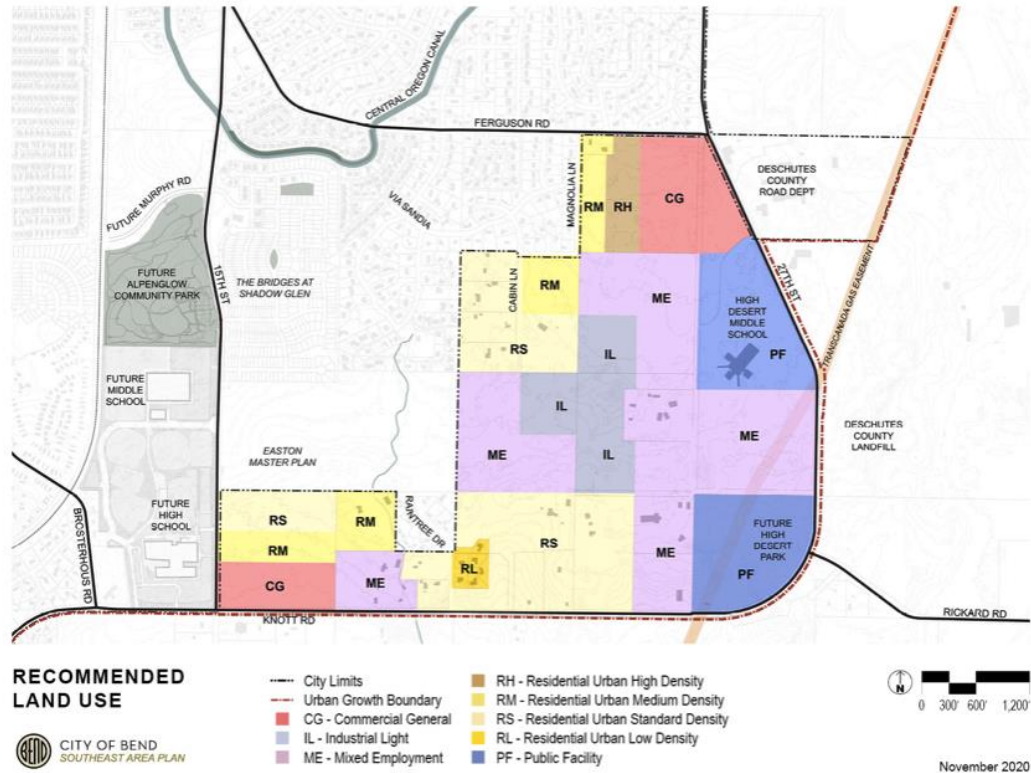
- **Site sizes.** In recent years, the types of light industrial users located in many of Oregon's cities typically require small to medium-sized sites from 5 to 25 acres, based on information from Business Oregon. Development of industrial land in the Stevens Road Tract should provide opportunities for a range of small and medium site sizes.
- **Types of businesses.** Potential uses on industrial land in the Stevens Road Tract may include light manufacturing and other light industrial uses, as well as some mixed employment with some office users in flex spaces. These uses may include small-scale manufacturing or distribution, showrooms, and other light industrial users that may also need office space (i.e., flex space).
- **Competing nearby industrial land.** Both the Stevens Ranch Master Plan and SEAP include a substantial amount of land zoned for industrial uses, as described below. These areas have certain competitive advantages and will likely build out before the Stevens Road Tract and are likely to accommodate demand for industrial land over the next five or more years.
 - The Stevens Ranch Master Plan includes 92.7 acres of land zoned General Industrial for large-lot industrial development, so adjacent land on the Stevens Road Tract could be zoned Light Industrial to attract different types of users and allow for development of a range of industrial site sizes and opportunities in southeast Bend. Exhibit 2 shows the location of the industrial land in the Stevens Ranch Master Plan relative to the location of the Stevens Road Tract. Continued planning for the Stevens Ranch Master Plan may include some mixed employment areas, which would still be compatible with light industrial use on the Stevens Road Tract. The *Market Assessment* report concluded that the Stevens Ranch Master Plan area has a competitive advantage for heavier industrial uses, due to locational factors.

Exhibit 2. Stevens Ranch Master Plan Zoning



- The Southeast Area Plan (SEAP) includes 38 acres of light industrial and 142 acres of mixed employment land. While the industrial land in the SEAP is not directly adjacent to the Stevens Road Tract, it will accommodate some of the overall demand for industrial land in southeast Bend, especially for flex spaces. The industrial land in the SEAP also has certain locational factors that provide a competitive advantage over land in the Stevens Road Tract.

Exhibit 3. Southeast Area Plan Zoning



Considering the factors above, and the conclusions of the market assessment, the Stevens Road Tract may accommodate 38 acres of industrial land over long-term growth of southeast Bend. However, a smaller amount of industrial land (10-25 acres) may be more reasonable given market trends, locational and transportation characteristics of the Tract, and the amount of industrial land in the Stevens Ranch Master Plan and SEAP. Any industrial land designated in the Stevens Road Tract is likely to be located in the southwestern portion of the tract, adjacent to industrial land in Stevens Ranch. Zoning in this area should be Light Industrial and/or Mixed Employment zones and should allow a combination of site sizes, allowing sites smaller than 5 acres but also sites 5 to 25 acres in size.

Commercial Land in Stevens Road Tract Concept Plan

While the overall need for commercial land in Bend ranges across all types of retail and office uses, development of commercial land in the Stevens Road Tract is most likely to focus on locally serving retail and commercial services based on the location of the Stevens Road Tract and amount of existing and planned commercial development in southeast Bend. This section discusses the overall need for commercial land in Bend, followed by a discussion of the factors for consideration of commercial uses in the Stevens Road Tract Concept Plan.

Citywide Commercial Land Need

Commercial land includes employment in retail commercial industries including retail trade; as well as commercial office and other commercial services including information; finance and insurance; real estate services; professional, scientific, and technical services; management of companies; administrative and waste management services; private educational services; healthcare and social assistance; arts, entertainment, and recreation; accommodation and food services; and other services.

Bend allows commercial employment in the following zones: Commercial Business District, Convenience Commercial District, Limited Commercial District, and General Commercial District, as well as limited commercial uses in residential and mixed-use zones.

Commercial employment in Bend currently accounts for 76% of total employment. Of this employment, 13% of employment is in retail commercial, 46% is in office commercial, and 17% is in leisure and hospitality (service-type commercial). Between 2008 and 2019, retail commercial employment grew by 1,244 employees, office commercial grew by 7,007 employees, and leisure and hospitality grew by 3,383 employees (Exhibit 1). The types of commercial uses that will likely develop on the Stevens Road Tract include services that will cater to area residents including small retailers, restaurants, medical offices, and other local services. Other commercial services (such as large-scale office uses, large commercial centers, and other larger-scale commercial services) are less likely to locate in the Stevens Road Tract because of the area's location, competing nearby commercial land, and other factors discussed later in this section.

The *Market Assessment* report for the Stevens Road Tract Concept Plan area shows that between 2008 and 2019, development of commercial land delivered about 59 acres of retail space and about 52 acres of office space. Similar to industrial, new construction of these land use types was higher prior to 2008. Furthermore, development of office space in Bend has not returned to pre-Great Recession levels of construction since 2008, when a large amount of office space was built. Information in the *Market Assessment* report shows that demand for office space has increased, and vacancy rates have declined, resulting in increased rents. This suggests that the market is ready for development of new commercial buildings.

While development of commercial land on the Stevens Road Tract, both retail and office, will likely not help to meet citywide demand for large office buildings or traditional anchor retail, it

will help to meet demand for locally serving offices (e.g., medical offices) and retail (e.g., small retailers and personal services for area residents).

Commercial Land Demand in Stevens Road Tract Concept Plan

Commercial land development that will likely occur on the Stevens Road Tract will be small, locally serving retail and office types. These commercial uses may be located in newly planned neighborhoods within the Stevens Road Tract or in newly planned mixed employment areas within the Tract.

The factors that will affect growth of locally serving commercial development in the Stevens Road Tract Concept Plan area are:

- **Location of the Stevens Road Tract.** The Stevens Road Tract is located at the southeast edge of Bend, relatively far from Downtown Bend and most larger commercial centers, except for those in adjacent areas (as described in this section). The Stevens Road Tract is less desirable for development of large-scale retail uses or large-scale office uses, both because the Tract is further from most employment centers and neighborhoods in Bend and because of nearby plans for commercial and employment development.
- **Location within the Tract.** Commercial land for retail, personal services, or office uses should be located near planned higher-density housing such as multifamily housing and affordable housing. One small commercial area (without anchor businesses) near housing will provide services residents of the area need. The commercial area could be developed as a neighborhood center or main street. Office uses may be mixed with retail in smaller buildings or grouped in a larger complex. The commercial businesses should also be visible along a road or intersection that serves the Tract and to allow for easy access for those who do not live in the plan area but may live nearby.
- **Types of businesses.** Potential commercial uses in the Stevens Road Tract should focus on opportunities for retail, personal services, and small offices that serve local residents such as doctor's offices, accountants, insurance and real estate offices, restaurants or a coffee shop, wellness/lifestyle businesses, small retail stores, and other local services. Office uses may also include shared workspaces mixed with retail uses that would also serve local residents.
- **Competing nearby commercial land.** The amount of residential development in the area, and future commercial services in the adjacent Stevens Ranch Master Plan and SEAP, will limit the demand for additional services in the Stevens Ranch Tract.
 - Exhibit 2 shows that commercial areas are planned for on the west side of the Stevens Ranch Master Plan, which includes about 42 acres of land zoned General Commercial and Limited Commercial. The allowed uses in these areas include retail sales and service, restaurants, offices, clinics, convention center/meeting rooms, lodging, and commercial storage. The Stevens Ranch Market Analysis suggests large-format retail uses in the Stevens Ranch Master Plan along 27th Avenue, based on potential residential growth in the area and planned transportation networks as

the area builds out. The market analysis for this area suggests potential for traditional retail with an anchor store (e.g., grocery store), which is a larger-scale of development than envisioned in the Stevens Road Tract.

- Exhibit 3 shows that commercial areas are planned in the corners of the Southeast Area Plan (SEAP). The commercial areas are about 43 acres of land zoned General Commercial with uses focused on neighborhood services for office and retail, and potential for destination retail as the area builds out infrastructure. In addition, SEAP includes 142 acres of Mixed Employment, which allows uses that include limited retail, offices, clinics, lodging, commercial storage, wholesale sales, manufacturing and production, warehouse, and distribution. The General Commercial uses and the commercial parts of the Mixed Employment are envisioned at a larger scale than envisioned in the Stevens Road Tract.

Given these factors, especially the plans for commercial development in nearby areas, we estimate that the Stevens Road Tract Concept Plan can accommodate 2 to 5 acres of locally serving commercial uses in a main street or neighborhood center format. At the smaller size (2 acres), the commercial uses are unlikely to include an anchor store. If an anchor store is envisioned, then the site will need to be larger, about 5 acres or so.

Land Use Alternatives

As stated in the introduction of this memorandum, current city policy shows that Bend has an unmet need of 38 acres of industrial land and 28.5 acres of commercial land. Findings from this employment land analysis, supplemented by the findings in the *Market Assessment* report, show that the Stevens Road Tract Concept Plan area could likely accommodate some, but not all of this employment land needs. Overall, there is likely demand for a small (2 to 5-acre) retail-focused commercial area complemented by roughly 10-25 acres of employment land that can accommodate office, flex, and commercial uses.